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# Steering charities and not-for-profit organisations through the pandemic

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# About this guide

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The COVID-19 crisis is having a profound impact on charities and not-for-profit (NFP) organisations across Australia and New Zealand.

Since February, almost two thirds (65.9 per cent) of Australian volunteers have stepped down from volunteering and other unpaid work as a precaution against spreading COVID-19<sup>1</sup>. Meanwhile, more than 200,000 charity workers could be out of a job, and one in six charities at high risk of closure (if 20 per cent of fundraising income is lost this year,<sup>2</sup> as is feared by a majority of Australian charities<sup>3</sup>). The picture is similarly precarious in New Zealand, where there are approximately 115,000 NFPs, including 27,513 charities – more charities per capita than any other nation in the world.<sup>4</sup>

The crisis is not just financial. A reduction in capacity not only impacts the financial stability of charities and NFPs, it also places vulnerable people, who rely on the services and support of these organisations, in a very high-risk position.

Chartered Accountants ANZ is keenly aware of the difficulties faced by charities and NFPs – and the flow-on impacts on vulnerable people – and is committed to supporting these organisations.

It should also be noted that, for some charities and NFPs, the pandemic has given rise to new possibilities and even the potential for positive change, including growth.

This guide examines both the risks that exist, as well as the opportunities. It includes practical guidance for the following audiences as they prepare for end-of-financial-year obligations and as they plan for the future:

- Finance professionals who work ‘in-house’ for NFPs and charities
- Members of governing bodies of NFPs and charities
- Accountants who volunteer their expertise for NFPs and charities.

This guide was published in late June 2020, and should be read in conjunction with the Chartered Accountants [COVID-19 resources hub](#), which is regularly updated to help members respond to the challenges posed by the current pandemic.

The pandemic has given rise to new risks, challenges and possibilities.

### Prepared by chartered accountants, for chartered accountants

This guide was prepared during the initial months of the global pandemic, and would not have been possible without [several chartered accountants](#) who generously shared their time and insights. Their commitment to supporting their peers in the charity and NFP sector is just one example of the ‘community spirit’ that has been so evident in Australia and New Zealand during 2020. We thank them for their contribution.

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# 1. Background

Following the global financial crisis (GFC) in 2007-08, charitable giving in Australia fell for two consecutive years, by a total of 15 per cent, and it took six years before total donations recovered to pre-GFC levels.<sup>5</sup>

What, then, can we expect for the charities and NFP sector in the COVID-19 recovery phase?

The initial impact of the pandemic will be severe as many organisations suffer a perfect storm of heightened demand and declining resources (human and/or financial) due to the economic recession. In the immediate term, public donations in Australia are predicted to decline by 7.1 per cent in 2020 (after rising by almost 5 per cent over each of the previous two years), before falling a further 12 per cent in 2021.<sup>6</sup> (While donations constitute less than 10 per cent of income for charities in Australia, for instance, there will be charities that rely on this income and such a reduction will likely have catastrophic effects, including for those people relying on their supports and services.) Fast-forward ten years, and we can expect to see significant rationalisation within the sector, but also vast innovation and new ways of working.

It is important to note that the sector was already weakened going into the pandemic.

In many cases, the operating models of many charities and NFPs were becoming outmoded due to a lack of industry-wide reform and digitisation during the past 20 years. Now, the effects of that are being felt even more acutely. Some organisations will succumb to the current crisis, some will have a stay of execution, and some will adapt and grow. What is certain is that few, if any, will ever return to their pre-COVID-19 operating models.



Few, if any, charities and NFPs will return to their pre-COVID-19 operating models.

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## 2. Need and capacity

There's nothing like an historic global event to trigger a strategic rethink, and the COVID-19 crisis should be seized as an opportunity for charities and NFPs to refocus on their fundamental charitable purpose.

### Fit-for-purpose

In these extreme circumstances, leaders should be prepared to ask some extreme questions: Why does our organisation exist? *Should* our organisation still exist? What service did we provide prior to the pandemic, does that service support our mission and has demand for that service grown, changed, or disappeared?

NFPs and charities exist to pursue a mission (often termed 'objects'), and this mission must remain a core part of decision-making – during and after the pandemic. This requires a clear focus on purpose. Revisit it, question it, see it in a new light. Then with every subsequent strategic decision or trade-off made by your organisation, ask: How does this further our core mission? Is this improving our ability to deliver?

Take New Zealand's mandatory [service performance reporting](#), for example, where charities must include non-financial information alongside their financial statements. This is based on two elements:

- 1 **Outcomes** (What is the entity seeking to achieve? What is its impact on society?)
- 2 **Outputs** (What goods or services has the entity delivered during the year?)

In short, service performance reporting requires entities to consider: What did your entity set out to do, and did you deliver on these outcomes? Useful questions for any charity and NFP to return to regularly.

Of course, your organisation may have *more* to offer during the current pandemic, and so wish to operate outside of its traditional purpose. In Australia, the ACNC Commissioner will 'accept a charity applying a broad interpretation to its purposes', to assist with the community response to COVID-19, as long as the charity can reasonably show its members would approve of the direction, and that you document your rationale. For more details see: [ACNC compliance during COVID-19](#).

Your organisation may have more to offer during the current pandemic, and so wish to operate outside of its traditional purpose.



#### Further resources

This [recent paper](#) by Craig Fisher FCA and Steven Moe outlines '7 hard questions' that charities and NFPs should ask themselves currently, and provides guidance on how to identify potential opportunities too.

In episode 21 of the [Australian Charities and Not-for-profits Commission \(ACNC\) podcast](#), Matt Bowtell from Free 3D Hands explains how his charity has shifted its focus to meet new challenges during the COVID-19 outbreak.

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## 2. Need and capacity continued

### Resource planning

For many organisations, the COVID-19-induced lockdown has meant a forced pause in operations. This can be a time to plan the allocation of resources for your organisation – both for the immediate future (when there’s likely to be altered demand and capacity for services), and for the longer term. During times of uncertainty, it’s useful to divide your strategy into short-term blocks to be revisited every three months, so that you can rapidly react to change. Revisiting your strategy regularly might also uncover a new way for your organisation to deliver on its mission.

The aim is not to accurately predict the future, but to be prepared if and when one of your plausible scenarios eventuates.

### Scenario planning

The range of possible futures for your organisation might suddenly have multiplied, but that’s no reason not to plan for them. In fact, it’s all the more reason to prepare.

Scenario planning involves identifying a specific set of plausible ‘realities’ your organisation might face in future, and then planning for each one. Internal factors (e.g. volunteer numbers) and external factors (e.g. unemployment rates) should be considered. Include a mix of questions including predictive (‘What could happen?’), realistic (‘What is likely to happen?’), and aspirational (‘What do we want to happen?’). Assess the full impact of each scenario, and develop a range of strategies in response. The aim is not to accurately predict the future, but to be prepared if and when one of your plausible scenarios eventuates.

During times of high uncertainty, it can be advisable to set up scenario planning with key assumptions that can easily be changed. This allows for quick analysis of the impacts of changes in key assumptions.

A [recent article in the \*Nonprofit Quarterly\*](#) offers further guidance for scenario planning.



# 3. Governance

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The COVID-19 crisis has added pressure to the governance function of charities and NFPs as organisations scramble to respond.

The relationship between your organisation's governing body and management is more critical than ever, as decision-making is placed under pressure. At the same time, the crisis has provided something of a catalyst for resetting your organisation's approach to governance in the longer-term.

To this end, it's worth reassessing some of the key risks to governance including:

- **Purpose:** Is your organisation's governance structure fit-for-purpose?
- **Accountability:** Do stakeholders have adequate opportunity to receive information on, and have a say in, how the organisation is governed?
- **Compliance:** Is the governing body aware of all compliance regulations, including their practical implications?



## Governance compliance tool

The ACNC provides a [self-evaluation tool](#) for charities and NFPs to assess whether or not they are meeting their governance obligations.

## What is a COVID-19 policy and does my organisation need one?

[Not-For-Profit Law Australia](#) recommends you establish a COVID-19 policy, setting out the rules and procedures your organisation will implement for the duration of the crisis. It may include:



- A 'positive action plan' outlining any measures employees and volunteers should follow to reduce their exposure to COVID-19, and what happens if they develop symptoms or test positive for COVID-19
- Working-from-home strategies to protect employees and volunteers
- A communication strategy outlining how you will be communicating with each stakeholder, ensuring the governing body considers opinions and concerns of key stakeholders during this crisis, and
- Providing mental health support to volunteers and employees, and ensuring the governing body has a clear understanding of the duty of care required in relation to changing work arrangements and the importance of ongoing communication.

Your plan may also detail the organisation's policy on membership fees, if any, during COVID-19. Will your organisation require fees to be paid? Will you reimburse membership fees? Do you have existing by-laws governing this? Remember to include any proposed fee reductions (or other fee remissions) in your budget planning to evaluate the financial impact of them.

For more details see: [Not-for-profit Law](#)

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## 3. Governance continued

### Diversity

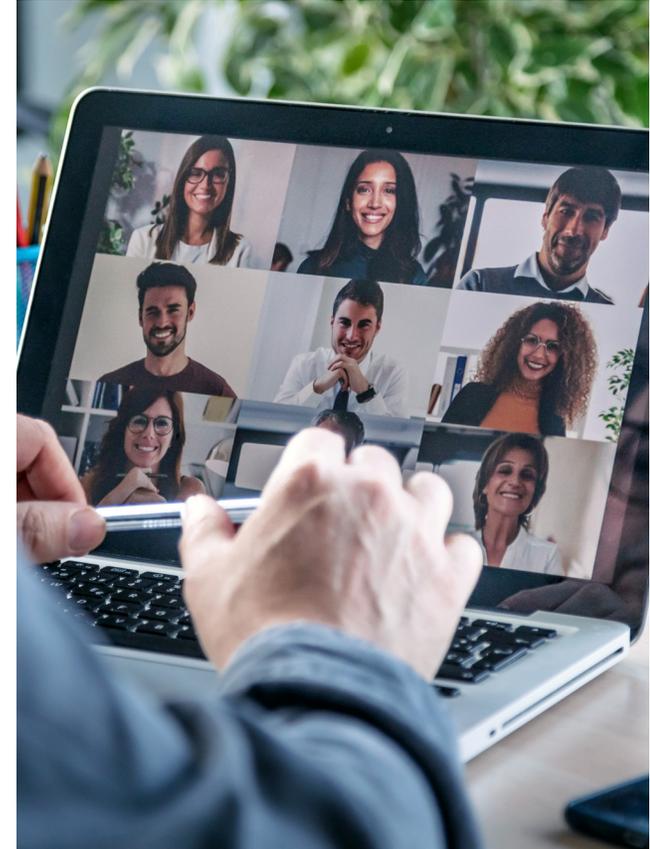
Pre-pandemic diversity amongst governing body members posed a challenge for many charities and NFPs. Age diversity offers just one illustration of this. In 2019, the average age of NFP directors in Australia was 54 years old, with 77 per cent of directors over 50 years old, and only five per cent under 40 years old.<sup>7</sup> There's never been a greater need (or a better time) to promote diversity within your organisation's governance structure as a way of harnessing representational alignment. Importantly, diversity should also extend to experience and skills too. Undertaking a matrix of skills for your governing body can reveal collective 'blind spots' in expertise and knowledge among directors, thereby enabling you to address these.

Importantly, diversity should also extend to experience and skills too.

### Annual general meetings (AGMs), quorums and physical distancing

In the current climate, it may be necessary to adopt physical distancing measures when carrying out governance operations, and there are exemptions in place for those organisations that cannot hold an AGM. The Australian Securities and Investments Commission (ASIC), for instance, has adopted a '[no actions position](#)' where public companies do not hold their AGMs within five months after the end of financial years that end from 31 December 2019 to 7 July 2020, but do so up to seven months after year-end. (Check your national, state or territory regulator for specific guidance.)

Now may be a good time to trial virtual AGMs using technology such as Zoom. Some organisations have found the use of an online tool can actually increase attendance numbers as travel and time barriers are removed.



# 4. Operations

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For many charities and NFPs, COVID-19 is the first real test of their organisation's crisis management strategy and/or business continuity plan.

Some organisations face difficulties delivering on their purpose due to interrupted supply chains and loss of staff and volunteers, while others have been forced to cancel services and events because of physical distancing requirements. (As of late April, 85 per cent of surveyed Australian charities and NFPs indicated that physical distancing restrictions were affecting their ability to carry out their work.<sup>8</sup>)

As a result of these hardships, many organisations have learned valuable lessons in resilience and adaptability. New ways of working have surfaced. Collaborations have developed. Innovations have emerged. (For instance, New Zealand-based Putti Apps has launched a free check-in app, [Chkin.Me](https://www.puttiapps.com/), so charities can contact-trace users.)

To prepare your organisation for the years ahead, it's vital to discuss and document the lessons learned from the past few months.

## Questions you might ask include:

- What takeaways has our organisation learned from COVID-19?
- Has COVID-19 given rise to more streamlined, efficient operations? Can these be competitive advantages in a post-pandemic environment?
- How resilient is our business model? Did the COVID-19 crisis reveal vulnerabilities? Or was it fit-for-purpose?
- What are the risks to our operations? How might these risks be mitigated?
- Did the disruption to supply chains expose flaws in our current model? Were viable supply alternatives identified?
- How did we support working-from-home arrangements for employees and volunteers? Can these be retained?
- Have new collaboration opportunities emerged? How can these be integrated into our current and future operating model?
- Will the competitive market in our sector look different post-pandemic? What are the implications for our organisation? Should we collaborate more and compete less?
- How might our operating model need to adjust to respond to changes to consumer demand?

## Nurturing a digital community

One positive to emerge from the COVID-19 crisis is a renewed sense of community spirit. Volunteering may not necessarily look the same in the wake of the pandemic but it's more important than ever for charities and NFPs to stay connected to their volunteer base and to donors. Prior to COVID-19, only 34% of Australian charities reported an online presence.<sup>9</sup> Lack of capital is a major barrier to digitisation, and yet many charities and NFPs can't afford *not* to invest in technology, depending on what they do. Digitisation is more important than ever for keeping people engaged and connected to your organisation's mission via virtual fundraising, e-donor platforms, online auctions, digital door-knocks and other creative online campaigns.

New ways of working have surfaced.  
Collaborations have developed.  
Innovations have emerged.

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# 5. Income and fundraising

The COVID-19 crisis has been a clarion call to many charities and NFPs to examine their income channels. While fundraising and donations are not relied on as the sole income source for many charities, reductions in these areas may point to a larger problem.

A recent survey by the Fundraising Institute of Australia, for example, found more than half of organisations feared losing at least 20 per cent of fundraising income this year,<sup>10</sup> and the main sources of income for the sector—individual donations/bequests, philanthropy, government funding, and social enterprise—are under varying degrees of pressure.

A majority of charities are suffering a decline in income either as a result of reduced funding or because staffing and other resource shortages have impacted their capacity to deliver services in a quasi-market environment. Seventy-eight per cent of Australian charities reported a downturn in income as a result of COVID-19 in mid-April, and for 18 per cent the decrease was more than 30 per cent.<sup>11</sup> Fundraising has fallen (67 per cent of charities experienced a decrease, and 47 per cent experienced a 'significant' decrease).<sup>12</sup> And while there appears to be a short-term increase in grants (in terms of amounts and funding flexibility), almost 15 per cent of surveyed funders are already planning for a funding decrease in 2020-21.<sup>13</sup>

At the same time as they face declining incomes and physical distancing-induced difficulties in service delivery; many NFPs and charities are experiencing increased demand for their services due to the COVID-19 health crisis and the ensuing economic recession. How, then, do charities and NFPs guarantee sustained delivery of services in the short term? Moreover, how can they ensure the long-term viability of their organisations?

## Diversification

For some charities and NFPs, it may be possible to diversify their income streams to prevent them being too reliant upon one source. Questions to ask include: Can our organisation broaden our income base by diversifying income streams? Could we mitigate risk by spreading income sources across several industries/sectors? Can our organisation diversify fundraising methods, too? Can we invest in online fundraising options to supplement traditional avenues?

Of course, these questions are critical in the context of your organisation's analysis post-COVID-19 and in considering how you might change the way you do things going forward.

### Financial resilience checklist

- Does our organisation have the ability to pay debts when they fall due? Are there methods in place to ensure this?
- Do we have short-term and long-term plans in place to ensure adequate cash flow? Do these plans recognise hidden costs such as employee leave entitlement provisions?
- Does our organisation require 10-year forecasts, factoring in asset replacement?

A majority of charities are suffering a decline in income.

# 6. Reporting

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The present socio-economic climate has elevated uncertainty for just about every charity and NFP organisation in Australia and New Zealand. To navigate through the current reporting period, accountants and finance professionals will have to draw upon all their expertise and experience.

The Chartered Accountants ANZ website includes a dedicated reporting section, [including guidance for charities and NFPs](#) on both sides of the Tasman.

Remember: In Australia, if a charity is a reporting entity it must submit General Purpose Financial Statements (GPFS) that comply with [NFP entity requirements in Australian Accounting Standards](#), including standards for the presentation, measurement and disclosure of financial statements. In New Zealand, registered charities have a statutory requirement to prepare General Purpose Financial Reports (GPFR), which means they must comply with the [applicable XRB accounting standards](#) (these might be for-profit or public benefit entities, for instance, some universities that are registered charities do not meet the definition of a PBE and so are for-profit entities). Other forms of NFPs that are not registered charities (e.g. incorporated societies/charitable trusts) do not have a statutory requirement to prepare GPFR and so do not need to apply the XRB accounting standards).

Some areas that will require particular attention in 2020 are highlighted below.

## Solvency and going concern

While management has always had to make an assessment in relation to going concern when preparing financial statements, in the current environment this assessment has become far more complex for most entities.

It's important for accountants to ensure their colleagues understand the distinction between 'solvency' and 'going concern':

- An entity is **solvent** if it will be able to pay its debts when they become due. (In New Zealand, an entity is also considered solvent if it has positive net assets (i.e. total assets in excess of total liabilities).
- An entity is a **going concern** unless management either intends to liquidate the entity or cease trading, or has no realistic alternative but to do so.

Going concern focuses on forward plans for the entity (generally, a 12 month assessment), whereas solvency focuses on a specific point in time.

It's worth noting that, during the pandemic, some insolvent charities and NFPs may have been granted relief to effectively continue in hibernation, allowing the organisation to remain a going concern. However, the purpose and nature of this relief needs to be well understood by directors.

Self-funding charities and NFPs will need to carefully scrutinise their cash flow to understand liquidity risk. For example, they might consider how the organisation will look in the future, when emergency government funding (e.g. cash flow boost, wage subsidies) is no longer available.

Depending on the entity, a going concern assessment might consider the impact of travel bans, new community restrictions, government assistance, the financial health of key suppliers and customers, existing financial resources, and the likely period of expiry if conditions continue or deteriorate. ([XRB guidance](#) and [joint AASB and AUASB guidance](#) contain more details on factors to consider.)

**Note:** There is a common misconception in some charities that assessing going concern is the responsibility of the auditor. However, the responsibility for assessing whether the entity is a going concern is first and foremost that of the governing body of the charity.

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### Insolvency rules amended

In New Zealand, due to COVID-19, company directors (some charities are incorporated as companies) have a six-month moratorium against prosecution for knowingly allowing companies to continue trading whilst insolvent (there are still limitations).

It was always possible for an entity to be solvent but not a going concern, but it is now potentially possible to even be insolvent but a going concern.

In Australia, as a stopgap measure, the [ACNC has temporarily relaxed its rules around insolvency](#) (Governance Standard 5: A charity requires its 'responsible people' to ensure it does not operate while insolvent). This amendment provides six-month relief for directors from their personal liability to prevent insolvent trading if a relevant debt is incurred:

- During the period of 25 March until 25 September 2020
- Before any appointment of an administrator or liquidator.

The ACNC will apply this approach to cover all charities, not only charities that are structured as companies limited by guarantee.

### Cash reserves

The question of how much cash to maintain as an operating reserve became more complicated when the pandemic emerged. Charities and NFPS have always had to carefully consider how much cash to keep in reserve. (Too much can have a negative impact on public perception and/or put the organisation's income tax exemption at risk; too little can place a question mark over the sustainability of the entity.)

During the COVID-19 pandemic, however, it's been more vital than ever to have cash in reserve, and those charities with cash reserves are often best equipped to survive.

In the immediate term, governing bodies might review the funds that are available to the charity. Are there any restrictions regarding their use? How can these restrictions be removed or adjusted?

Long-term, organisations could consider putting some of their reserves towards buying or building an asset, or developing a new service-delivery model, in order to future-proof themselves against further shocks.

There are still no easy answers when deciding how much to hold in reserve, and your calculations should be tailored to your organisation's individual financial situation. However, the importance of reserves to organisational resilience is greater than ever due to COVID-19.

Read more: [NFP Cash Reserves: CA ANZ Business Insight](#).

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### Leases and rent concessions

If they have not done so already, many charities and NFPs will be seeking to renegotiate terms of commercial leases, to reflect falls in income. It may be possible to negotiate rent adjustments for at least a limited time span.

Like any negotiation, rental adjustments need to be workable for both parties. Charities and not-for-profits should be pragmatic and consider the circumstances of individual landlords. Some will have more room to manoeuvre than others.

In Australia, the National Cabinet has outlined [14 leasing principles](#) that should be applied as soon as practically possible, on a case-by-case basis. The federal government has also published [guidance to assist government entities](#) in meeting IFRS 16 *Leases* obligations. And the *Guardian* has published [a handy checklist of support](#) for landlords and tenants in Australia.

Both [Australia](#) and [New Zealand](#) currently have eviction moratoriums effective for an initial six months from March 2020 onwards. [New Zealand](#) and [some Australian states and territories](#) have also issued a freeze on rental increases.

It is important to be aware of the type of rental arrangement being negotiated. You need to be sure whether the rent is being reduced without needing to be recovered at some future point, or whether, in reality, the rent is being delayed and will need to be fully paid at some point in the future.

Finally, a word of caution: The default settings of most accounting software assumes that rental fees remain unchanged from month-to-month. If a charity/NFP negotiates a temporary adjustment in rent, it's essential that this be adjusted accordingly in relevant software and formulas.

Like any negotiation, rental adjustments need to be workable for both parties.



## 6. Reporting continued

### Accounting estimates

So many aspects of balance sheets now involve estimates and judgments that boil down to a view on how things may play out in the future. These include asset valuations, recoverability of receivables, etc. These are often the most challenging and risky aspects of financial reporting and auditing – and now the pandemic has added another layer of complexity.

One particular risk relates to the hindsight that is applied when accounting estimates, information and judgements are reviewed by others at a later date. In Australia, ASIC has published [guidance on how directors can minimise potential liability](#) in connection with accounting estimates and forward-looking information. It states that the risk of being found liable for reporting misleading or deceptive information is minimal, provided:

- Any statements are properly framed. For example, as being ‘based on the information available at this time’
- Any estimates, assumptions or statements have a reasonable and supportable basis and have been appropriately challenged
- There is ongoing compliance with any continuous disclosure obligations when events or results overtake estimates.

ASIC highlights the importance of documentation and disclosure. That is, showing clearly what information was available at the time of estimates and documenting why that was a reasonable estimate.

One particular risk is the hindsight that is applied when accounting estimates, information and judgements are reviewed by others at a later date.

### Subsequent events

Subsequent events relate to issues that arise between the balance date and the date of signing and issuing the financial statements. For many charities and NFPs, subsequent events will present new challenges this year. Government support and subsidies are subject to a lot of change currently, and many extend to September 2020 or beyond. Nevertheless, these need to be appropriately accounted for.

In terms of reporting, each subsequent event will fall into one of two categories:

- **Adjusting subsequent events** are those where there is evidence of conditions that existed prior to balance date (accounting standards require amounts in the financial report to be adjusted).
- **Non-adjusting subsequent events** are those that are indicative of conditions that arose post-balance date (accounting standards do not require amounts in the financial report to be adjusted, but do require disclosure if the amounts are material).

For June 2020 balance dates, the impact of COVID-19 itself is not a subsequent event but, given how rapidly things are changing, there is a high possibility of consequential subsequent events in relation to COVID-19 occurring that need to be considered. In Australia, the AASB and AUASB have jointly published guidance to assist in reporting and auditing subsequent events (see pages 9 and 10 of [The Impact of Coronavirus guide](#)). CA ANZ has also published [Q&A: Events after balance date](#).

In both Australia and New Zealand, various regulators and standards setters have [extended lodgement dates](#). Where entities avail themselves of these extensions, this may extend the subsequent events period. Details of some of the extensions are outlined in the following section.

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## 6. Reporting continued

### Lodgement date relief

For charities and NFPs, the list of regulators and standards setters is many and varied. However, as a general rule, most welcome feedback on where you are experiencing issues or have concerns regarding lodgement dates. In many cases, reporting extensions have already been granted. The table below highlights some of these.

Regulator	Details	Current changes/exemptions
Charities Services NZ	<a href="#">Extended Annual Returns and Financial Statements/Performance Reports</a>	Registered charities have six months after the end of their financial year to submit annual returns and financial statements/performance reports. If your charity's annual return is due within two months and you're unable to file your documents on time, Charities Services NZ won't be taking action on late returns. Email <a href="mailto:info@charities.govt.nz">info@charities.govt.nz</a> .
The Companies Office, NZ	<a href="#">Relief during COVID-19</a>	The Companies Office will not take any action to remove entities from its registers or take any enforcement action for non-compliance with filing during the current pandemic. It is also accepting 'remote' declarations and offers insolvency relief for charitable trusts.
Financial Markets Authority (FMA) NZ	<a href="#">Extended deadlines for audited financial statements</a>	FMA New Zealand is giving Financial Market Conduct (FMC) reporting entities and Managed Investment Schemes (MIS) an additional two months (i.e. six months, rather than four months) to provide their audited financial statements. Currently this relief is for entities with balance dates from 31 December 2019 to 31 July 2020, but this may be reconsidered as the situation develops.
New Zealand's Exchange (NZX)	<a href="#">Extended financial reporting class relief</a>	The NZX has granted a Class Waiver for NZX listed entities with balance dates between 30 September and 31 July to allow an additional 30 days to prepare and release results announcements, including preliminary interim and full-year financial statements (i.e. 90 days, rather than 60 days). It is also providing an additional two months to prepare and release annual reports, including audited financial statements (i.e. five months, rather than three months).
Australian Taxation Office (ATO)	<a href="#">Amended guidelines for ancillary funds</a>	Amendments will provide a credit for ancillary funds that make a distribution to DGRs of at least four percentage points above the minimum distribution in 2019-21 and 2020-21. Private ancillary funds and public ancillary funds are required to distribute at least 5 per cent and 4 per cent of the market value of the fund's net assets respectively. Ancillary funds will receive a credit of half of the total percentage points that exceed their minimum distributions for both financial years. Ancillary funds may use this credit to reduce their minimum annual distribution by up to one percentage point in 2021-22 and for each financial year until the credit is exhausted, without applying to the Commissioner.
ACNC	<a href="#">Blanket extension to Annual Information Statement submissions</a>	Charities with Annual Information Statement due dates between 12 March and 30 August 2020 now have an extension until 31 August 2020. (Note: This does not automatically include any obligations to other regulators).
ASIC	<a href="#">Extended reporting and lodgement deadlines – unlisted entities</a>	Extended deadline for unlisted entities to lodge financial reports. Entities now have one extra month (for balance dates from 31 December 2019 to 31 March 2020).

CA ANZ regularly updates an [ongoing summary of the reporting and audit relief](#) being offered by Australian and New Zealand regulators in relation to the COVID-19 pandemic.

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### Audit

Auditor scrutiny will be heightened this year as a result of the unprecedented change and disruption sweeping across the charities and NFP sector. As a result, organisations should budget for a more comprehensive audit or review this year. Physical distancing restrictions may mean auditors need to conduct the audit remotely and may consider alternative audit procedures to gather sufficient appropriate audit evidence.



The audit process can be aided by:

- Communicating early with auditors to discuss potential logistical challenges and impediments to the financial statement preparation and audit process, and how these can best be mitigated
- Being fulsome in financial statement disclosures and assumptions
- Ensuring all evidence for compliance meets the relevant standards
- Providing comprehensive evidence and clear crosschecks for all assumptions
- Using video technology for audit meetings
- Assisting the auditor perform any additional substantive procedures where copies of documents, supplied via scanning or email, are not sufficient
- Providing the auditor with sufficient appropriate audit evidence regarding the existence and condition of inventory (especially where inventory is material to the financial report)
- Arranging physical inventory counts at a different date if an auditor cannot attend at the year-end date (where the auditor can perform procedures to 'roll-forward' or 'roll-back' inventory balances).

Some of the current challenges and priorities for auditors are highlighted [in this article](#) on the Chartered Accountants ANZ website. While the External Reporting Board (XBR) in New Zealand have published [this document](#) explaining what users of audit reports can expect in response to COVID-19.

### Forthcoming changes in New Zealand

Last year, the New Zealand government launched a public consultation on the review/modernisation of the Charities Act 2005. The discussion document covered a wide range of important issues, from reporting obligations to the role of charity advocacy, and more. Policy is expected to advance this year although no legislative change will occur without further consultation.

Meanwhile, the XRB recently undertook [a targeted review of the accounting standards framework](#). No significant needs for change were identified but the XRB is aware of some implementation challenges being voiced by smaller charities reporting under the Tier 3 and Tier 4 Simple Format Reporting Standards. For this reason, the XRB is planning a separate standards-level review of the Tier 3 and Tier 4 reporting requirements, including public consultations.

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# 7. Government support

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There is a range of government support available to charities and NFPs currently, including wage subsidies, loan schemes, grants, stimulus packages and extensions to regulation requirements.

Australian charities and NFPs may be eligible for:

- [JobKeeper](#) wage subsidy
- [ATO temporary cash flow boost](#)
- [Coronavirus SME Guarantee Scheme](#)
- [Relief for commercial tenants](#)

While NZ organisations may be entitled to:

- [Wage Subsidy](#)
- [COVID-19 Leave Support Scheme](#)
- [Funding for community organisations that support women and girls](#)
- [Support for sports and recreational clubs](#)
- [Office of Ethnic Communities Development Fund](#)

Chartered Accountants ANZ has compiled a comprehensive summary of [government assistance currently available](#) in Australia and New Zealand.

**Note:** In Australia and New Zealand, communicating with government at all levels may be difficult at the moment, and long wait times are expected. Government ministers and politicians are receiving a high volume of appeals for assistance. They may be more likely to heed such calls when charities and NFPs communicate collectively through their peak industry bodies.

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# 8. Additional resources

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## COVID-19 Hub

CA ANZ's [COVID-19 Resources hub](#) includes is regularly updated to keep you informed with the latest developments, tools and resources to assist you with navigating the pandemic and recovery. It also includes [information on stimulus and assistance packages available](#) from New Zealand and Australian governments. And it contains information to support your mental health and wellbeing.

## Further CA ANZ resources

Not-for-profit reporting

- [NFP Cash Reserves: Business Insight](#)
- [Renumerating Not-for-profit Directors: NFP Insight](#)
- [New Charity Reporting: One Year on in New Zealand](#)
- [Guidance for Not-for-Profit Financial Reporting in New Zealand](#)
- [Online event: National sharing knowledge series: Not-for-profit end of year financial reporting considerations amid COVID-19 crisis](#)
- Enhancing NFP annual and financial reporting

## More resources

- [Australian Charities and Not-for-profit Commission: Charity operations and COVID-19](#)
- [Australian Treasury: Economic response to the Coronavirus \(Businesses and employers\)](#)
- [NZ Treasury: COVID-19 economic response](#)
- [Australian Taxation Office: COVID-19 support for NFPs](#)
- [New Zealand Inland Revenue: COVID-19](#)
- [Not-for-profit Law: COVID-19 response](#)
- [Australian Government Community Grants Hub](#)
- [Charities Services NZ: Information for registered charities about COVID-19](#)
- [Safe Work Australia: COVID-19 information for workplaces](#)
- [Employment New Zealand: Coronavirus \(COVID-19\) and the workplace](#)

## Mental health support

During the COVID-19 pandemic, as a member of Chartered Accountants ANZ you can access complimentary counselling services for you and your family. Visit our [CA Wellbeing](#) page for more information.

- [CA Wellbeing Australia](#): Resources for mental health and wellbeing
- [CA Wellbeing NZ](#)
- [Beyond Blue \(Australia\)](#)
- [Mental Health Foundation \(New Zealand\)](#)

# 9. Contacts

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## Regional Managers

This is an extremely challenging time for many of CA ANZ members and [regional managers](#) are here to support you in any way they can.

## My CA

Gain the support of other CAs with [My CA Groups](#). With the impact of COVID-19 significantly changing our day-to-day work life and operating environment, you've probably got many questions to ask. Now is a great time to gain the advice of your CA network and experts in your community. Explore 'My Groups' where you are able to ask other CAs questions, as well as share your knowledge and offer support to other members. Discover groups relevant to your interests and skills, or find a group of like-minded colleagues experiencing the same challenges as you.

## CA Wellbeing

[CA Wellbeing](#) provides resources and information to support mental health and wellbeing for members. As a member of Chartered Accountants ANZ, you can access complimentary counselling services for you and your family.

## Member Services Team

### Australia

1300 137 322 +61 2 9290 5660 (outside of Australia)  
6am-8pm (AEST) Monday - Friday (excl. Public Holidays)  
[service@charteredaccountantsanz.com](mailto:service@charteredaccountantsanz.com)

### New Zealand

0800 4 69422 +64 4 474 7840 (outside of New Zealand)  
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# 10. Acknowledgements

This guide was initiated by the Chartered Accountants ANZ Charities and Not-for-profit Committee. CA ANZ wishes to acknowledge contributions to this report from Craig Fisher FCA, Amir Ghandar FCA, David Gilchrist FCA, David Thomas FCA, Claire Locke FCA, Zowie Pateman CA, Russell Postle FCA and Melanie Scott FCA.. We have also drawn on a wide range of publicly available documentation from a number of organisations including but not limited to the External Reporting Board, Australian Accounting Standards Board, Auditing and Assurance Standards Board, New Zealand Auditing and Assurance Standards Board, Australian Charities and Not-for-profits Commission, Charities Services, Australian Institute of Company Directors, Fundraising Institute of Australia, The Governance Institute, Social Ventures Australia, Institute of Community Directors Australia, and RSM New Zealand. Some specific references are listed in the right-hand column.

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